Funding issues for Critical Access Hospitals

Medical Assistance Administration, DSHS

Susan Lucas, Director
Division of Business & Finance, Medical Assistance Administration, DSHS

Presentation to Washington State Critical Access Hospitals
Spokane, Wash.
March 23, 2004

MAA 2004

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THE BACKGROUND

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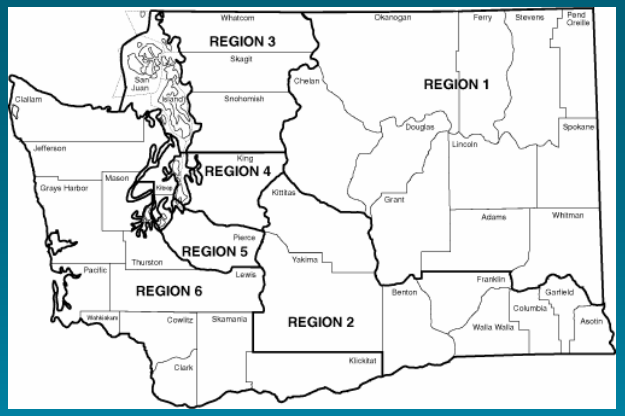
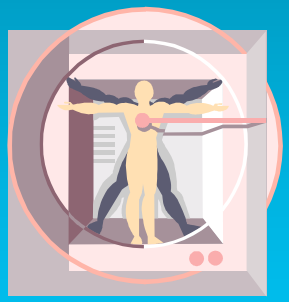
Critical Access Hospitals In Washington State



- Created by Congress and Legislature in 1997 as part of the health safety net. Some 35 hospitals are on the list; more may be added
- Intended to protect health-care options in smaller and rural communities in part by protecting hospital funding
- In Washington State, administered by DOH in collaboration with WSHA
- Definition includes bed limits, distance (35 miles from other hospitals), staffing and payment systems that minimize the need for local subsidy of state- and federally-sponsored patients
- Must include emergency care and participate in trauma system



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Defining the issues

- **RCC – Ratio of Cost to Charge: Developed from most recent cost report and based on all payers**

- **IDWCC/ODWCC – (Inpatient OR Outpatient) Department-Weighted Cost to Charge: Based on hospital departmental costs for Medicaid claims.**

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Critical factors

- **For hospitals:**

  Cash flow – timely payments, avoiding gaps between incurred costs of treatment and reimbursement
- **For MAA:**

  Data – State needs more complete data about Medicaid claims

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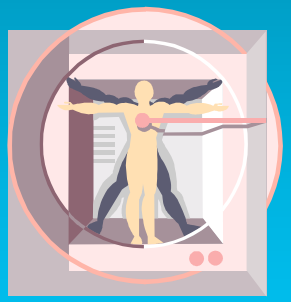

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Why the state needs data

- **Federal rules prohibit state from paying more than actual cost for Critical Access Hospitals**
- **State also is prohibited from paying more for Healthy Options (managed care) than it does for fee-for-service**
- **When hospitals are paid more than their costs, MAA must recover the funds**

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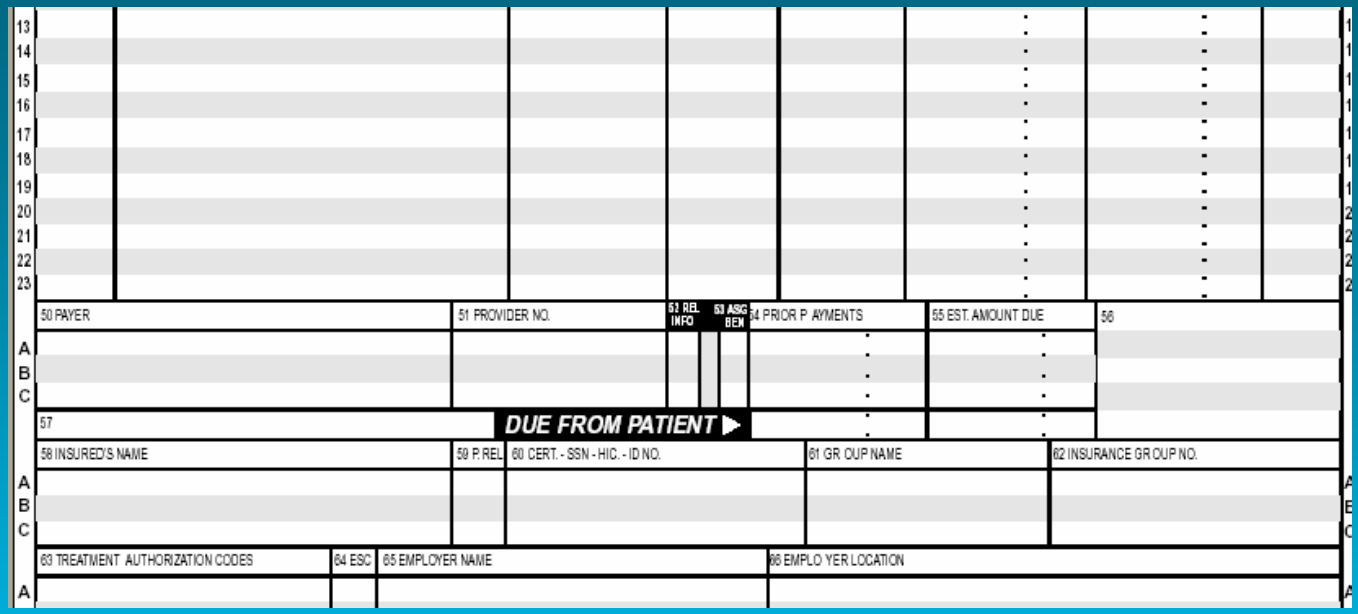

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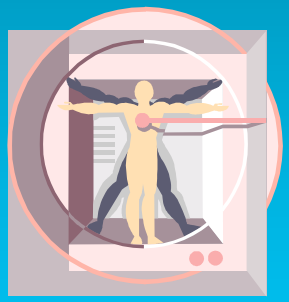

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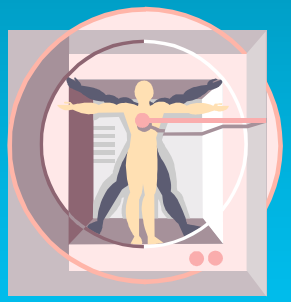

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The rules…

- WAC 388-550-2598: DSHS must perform cost settlement for each CAH after the end of the fiscal year; settlements will be calculated by considering both managed care and fee-for-service payments. The total HO settlement cannot exceed the sum of the hospital's HO-related costs
- RCW 74.09.5225: "Any additional payments made by the Medical Assistance Administration for the Healthy Options program shall be no more than the additional amounts per service paid under this section for other medical assistance programs."

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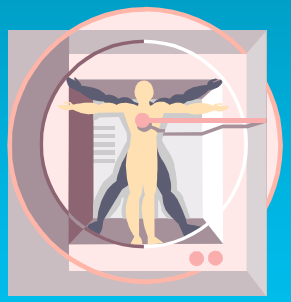
Timeline



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2003 & 2004: No retroactive recoupment

2005: First full year

Jan. 1, 2007: Earliest possible settlement

2004 **2005** **2006** **2007**

Fall 2004: WAC approved

Jan. 1, 2005: Retroactive date

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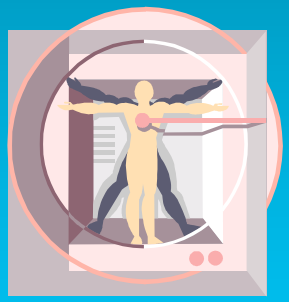
PART TWO

MAA's proposal to streamline CAH reimbursements for Healthy Options clients



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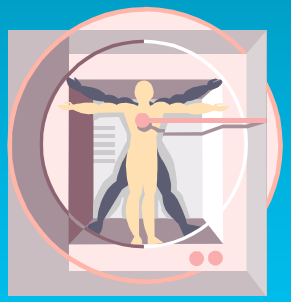
Reimbursing Critical Access Hospitals



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Hospitals proposed....

TREATMENT

1. Hospital bills plan for total
2. Plan pays hospital
3. Plan bills MAA for differential
4. MAA pays plan

The problem with this proposal is threefold: 1) there is no assurance the plan will pass the full differential to the hospital, 2) there is no guarantee MAA will get the data it needs, and 3) MAA is legally responsible for covering the hospital's costs, not the plan

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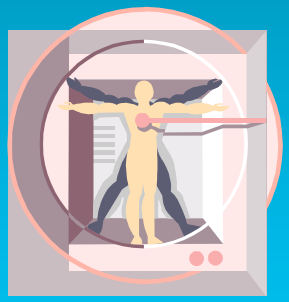

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MAA's solution

TREATMENT

1. Hospital bills plan
2. Plan pays hospital at contracted rate
3. Hospital bills MAA for the differential
4. MAA pays hospital

This process:
1) allows MAA to pay hospitals differential between cost and HO payments when HO pays less than cost;
2) gives MAA necessary data to calculate accurate cost settlements, and
3) gets MAA the data it needs to set accurate future rates

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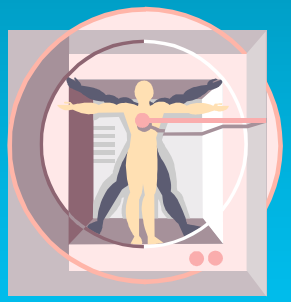
Key concerns, revisited

1. **Hospital cash flow: MAA's solution should provide more timely reimbursements**

2. **MAA's data needs: Additional data will ensure more accurate payments**

3. **Settlement: No hospital recoupment for 2003 and 2004; earliest possible settlement would not occur until January 1, 2007.**



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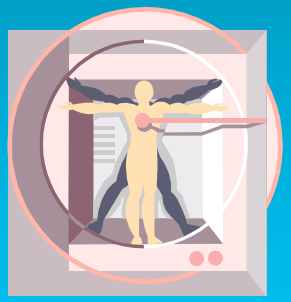

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Timing issues

Fast track:

1. Adopt MAA proposal, with reimbursements beginning in about a month
2. Start making up cash flow discrepancies
3. Settlement process will reconcile Healthy Options payments

Slow track:

1. Draft and adopt new WAC, begin reimbursements under it sometime this fall
2. Fall further behind in cash flow
3. Settlement structured as it is now

Under either option:

MAA commits to revisit state law and the IT issues involved in making these payments automatic with new MMIS and full HIPAA compliance

Questions?

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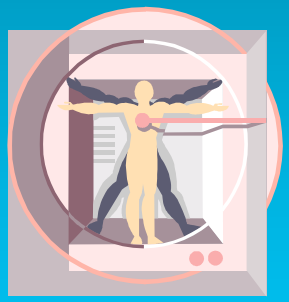

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